

## **Simplified Open Procedure Carmarthenshire Case Study.**

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# 2014

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## Simplified Open Procedure Carmarthenshire Case Study

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# 1. What is the “Winning in Tendering” project?

“Winning in Tendering” is aimed at transforming the public tendering experience of Small Indigenous Suppliers (‘SISs’ - this include SMEs and the Third Sector) in the INTERREG Ireland/Wales region by undertaking evidence-based research to address skill gaps of SISs and public procurers via a number of unique, innovative and complementary targeted interventions.

It is a 3.7 million Euros, 41 month, Strategic Project part funded by the European Regional Development Fund through the Ireland Wales Programme (INTERREG 4A) led by [Bangor University’s Institute for Competition & Procurement Studies](#), along with partners, Dublin City University (DCU) and the Irish Institute of Purchasing & Materials Management (IIPMM).

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## 2. About this Case Study

This case study illustrates the changes to practice that are possible for awarding contracts below the EU thresholds. The purpose of the intervention undertaken with Carmarthenshire County Council was to test the new Simplified Open Procedure, a procedure developed and designed by the Winning in Tendering project to advertise contracts between £5,000 and £50,000 with reduced transaction and opportunity costs, it was first developed in conjunction with Carmarthenshire County Council and is described in this Case Study.

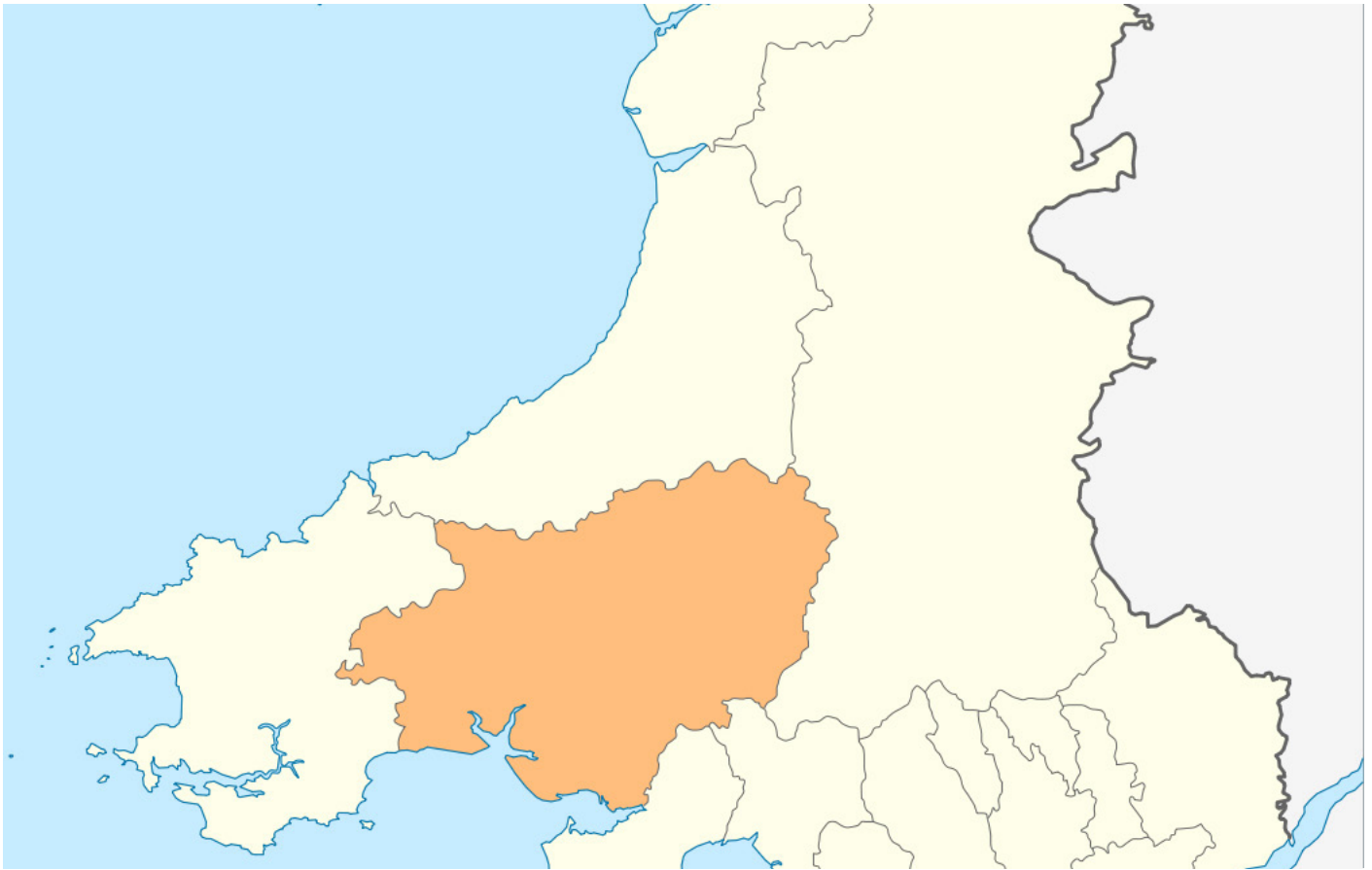
This document is accompanied by the Simplified Open Procedure Guidance, which contains further detailed information on how to undertake a simplified open procedure.

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## 3. Carmarthenshire County Council

Carmarthenshire is a County located in South West Wales with a population of 183,777 (2011 Census) spread over a diverse, rural location.

Carmarthenshire County Council currently spends approximately £150 million per annum on goods, works and services and recognises that a strategic approach to procurement is necessary to ensure these items are procured as efficiently and effectively as possible, gaining maximum value for the money spent.



## 4. Problem

Carmarthenshire County Council has in place a policy of advertising all contracts over £25,000 by means of an open procedure. The Procurement Unit was dissatisfied with how the regular open procedure (ie, as conceived by Directive 2004/18, used for contracts above EU thresholds) was being used for awarding contracts between £25,000 and the EU thresholds. The open procedure was perceived as being too resource intensive and not conducive to successful procurement exercises. For example, in one specific case, the authority used the open procedure and was unsuccessful in awarding a number of low value lots on a services contract even though it had been widely advertised on Sell2Wales (the national procurement website). In this particular situation, the tender documentation was over 100 pages long.

Supplier feedback showed that the excessively bureaucratic procedure put them off bidding – i.e., it was not economically viable for suppliers to bid given the small size of the contracts and the large amount of paperwork involved. The excessive length of tender documentation, and extensive use of questions not directed at choosing the best bid, posed a major problem that needed to be solved. In other words, we needed to bring that total of over 100 pages to a more manageable number that would still be fit for purpose.

In addition, the authority felt that its current practice of advertising contracts above £25,000 (and not at all beneath this threshold) was creating difficulties in terms of SME engagement. Below £25,000 the practice followed by the authority had been to request quotes directly from bidders, thus limiting engagement with the supplier pool.

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## 5. Solution – “The Simplified Open Procedure”

Working together with Bangor University’s Institute for Competition and Procurement Studies (ICPS) via the Winning in Tendering project, the Council decided to take part in a low value procurement pilot where new ideas could be developed. The objective of this pilot was to:

- Develop a simplified open procedure that reduced transaction and opportunity costs for both procurers and suppliers to a bare minimum; and
- Create a new tool that made it viable to advertise contracts between £5,000 and £50,000.

To do so, the development process started with a workshop in 2012 with members of Carmarthenshire County Council’s procurement team and an empty whiteboard. As a group, we brainstormed about all the elements that were really necessary to award a contract. We started from the moment the contract need was identified, to the point when the contract was finally being awarded, and all the stages in between: at all time the focus was on what is really needed by the client?

Starting with a blank canvas, discussion focused on what was necessary, instead of what usually was included and should be taken out of the tender document. By the end of the brainstorming session we had developed the new skeleton for what we now call the “Simplified Open Procedure”:

- Minimal selection stage with self-declarations;
- Reduced set of questions;
- Tighter timescales and word limits for responses.

We also devised a litmus test applicable to each new question: *do we need to ask this question to award the contract?* This became the seed for the simplified open procedure key tenet: only ask for the information needed which and when it is strictly necessary to allow the award of contract.

Over the following weeks the new simplified procedure was refined and developed in preparation for the first pilot. After setting the changes to practice, and identifying the key points that should be included in the new methodology, detailed refinement and adaptation to the Council’s needs was undertaken by the Council procurement team. During this period that spanned a few months, regular meetings were held and multiple revisions of the documentation were exchanged via email.

For the whole procurement exercise, our focus remained on only retaining in the new procedure the strictly necessary elements, whilst resisting the urge to do things as they had been done previously. As time progressed, we focused on re-phrasing the questions asked, to make their objective clearer. The purpose of these improvements was to help suppliers provide the answers the client was looking for, while doing so in a way that minimised transaction and opportunity costs.

In comparison with the original tender documents used in the past, we reduced the total page count from over 100 to just 16 pages. This has proven to be a major cultural shift for the organisation, as it implied letting go of a number of questions and tender elements that had been built into the contract documents over the years (see boxes 2 and 5 below under for further detail).

In total, 10 tendering procedures were launched in Carmarthenshire since 2012 using the new simplified open procedure or a variation of it. The first one tendered was a Mid-term and Final Evaluation (Carmarthenshire Physical Regeneration Package).

*We initially set ourselves the task of simplifying our quotation procedure down to a single sheet of A4 paper! Having the opportunity to sit down with Dr. Telles of Bangor Law School's WIT Project to critically challenge the assumptions built up over 25 years of contracting proved to be a real eye opener! What we had been so sure of was suddenly called into question. "Does anyone remember why we introduced this?" was a sentence used again and again in that ICPS-led workshop. The process of challenge and questioning of logic proved to be exhausting, but it did bring insight and step improvement through simplification.*

*We rapidly came to the conclusion that a single sheet of A4 might have been ambitious, but at the end of that first session it was clear that we were on to something and that a stronger and simplified process would benefit both the buyer and the bidder. It's rewarding to know that the subsequent bidder feedback does indeed support this first impression.*

Alan Aitken, Head of Procurement, Carmarthenshire County Council

### Box 1 – Simplified open procedure in numbers (Carmarthen)

Total number of pilots undertaken	10
Average procedure duration (days)	38
Average number of person hours for procurement and specialist officers	14
Average contract value	£42,375
Procurement spend through simplified open procedures	£423,000
Average number of suppliers looking opportunity up	15
Average number of bids per procedure	4
Total number of complaints by bidders	0
Total number of complaints from procurement officers	0



## 6. Process

In a traditional open procedure, the one currently used for contracts with a value above the EU thresholds, candidates are vetted via a selection stage and then a small number were invited to present a bid afterwards.

The new Simplified Open Procedure aims to reduce transaction and opportunity costs, while focused on maximising the number of good quality bids being submitted. Consequently, the selection stage, typically a feature of the traditional open procedure, was removed to accelerate the process. It was replaced with a self-declaration and verification of documentation requirement for the winner only. This change alone represented the bulk of the time savings achieved (it should be noted that for the regular open procedure, the upcoming EU Procurement Directive will include a possibility for it to be run with a self-declaration element instead of a traditional selection stage).

It was not, however, the objective to simply increase the total number of bids for the sake of an apparent increase in competition: we were focused on generating better quality bids that could better respond to the client's needs.

### Box 2 – Summary of main changes made to Open Traditional Procedure

Full use of e-procurement
Executive Summary
Word Limits
No Selection Stage
Clear Drafting
Significantly Reduced Number of Questions

### 6.1 Full use of e-procurement

To minimize transaction costs both for the contracting authority and prospective suppliers, it was decided early on to undertake the pilot as an e-procurement exercise. The benefits of using e-procurement are well known:

- Lower transaction costs; and
- More flexibility for both suppliers and procurers.

The perceived drawbacks of e-procurement are also a known quantity and have been mostly overcome today:

- Lack of knowledge by the market;
- Limited internet access by SMEs.

The Carmarthenshire procurement team had previous experience in managing procurement exercises through Sell2Wales and eTenderWales. As such it was decided to run the pilot on these platforms.

## 6.2 Executive Summary

One of the first ideas to be fleshed out of the brainstorming session was the use of an Executive Summary to provide prospective suppliers with the necessary information to help them make an informed decision on whether to bid or not for the contract. Providing enough clear information upfront has two benefits:

- It allows the supplier to quickly make a decision on whether to bid or not; and
- It disincentivises suppliers that might not be able to provide a competitive bid from investing their time and effort.

As such, advertising contracts using this pragmatic approach ensures that only suppliers with a realistic chance of winning actually bid for the contract, thus limiting the perceived concern of attracting too many bids.

### Box 3 – Information to be provided in the Executive Summary

Name of Contract and Contracting Authority
Contract Description and Outputs
Essential Pre-Requisites (i.e., insurance levels, health and safety)
Award Criteria (including weightings)
Requirement for Last Year's Accounts
Price (if disclosed)
Indicative Timetable for Tender Submission, Contract Award and Contract Performance

## 6.3 Self-declaration

In a traditional open procedure, all suppliers have to submit to the public procurer information that provides sufficient evidence that demonstrates that they possess the technical and financial ability/capacity to undertake the contract, as well as complying with specific requirements such as:

- Insurance;
- Health and Safety;
- Equality Policies;
- Social or Environmental Policies.

The standard practice in the UK (outside Central Government) is to demand from suppliers the filling in of a very detailed ('PQQ') questionnaire pre-qualification that functions as a funnel to screen suppliers before they submit the tender. While some work has been done to reduce this burden for suppliers (e.g., through tools such as the SQUiD (Supplier Qualification Information Database) in Wales, such tools primarily helping suppliers by reducing the cost to the supplier of providing the relevant information), they do not however solve the problem borne by the contracting authority of the cost involved in evaluating all that information. Furthermore, much of that cost is unnecessary. For example, in a tender with 5 suppliers, the cost of analysing the selection information contained in the Pre-Qualification Questionnaire (PQQ) of the four other bidders that will not win the tender is a major inefficiency.

There is simply no benefit in analysing that information as only the information of the winner is actually needed. In addition, by eliminating the selection stage, it is possible to further reduce the duration of the procedure.

Under this system the authority is still setting what financials or insurance levels it is looking for, but will only check the documentation of the actual supplier who has presented the best bid. This saves time by shortening the process (no selection stage) and works both to suppliers' benefit (no need to supply the information unless they have won) and procurers' benefit (only one set of documents to review).

#### Box 4 – Information requested in Self-Declaration

Economic and Financial Standing Assessment
Insurance Information
Equality Information
Health & Safety Assessment
Terms and Conditions
Policies
Optional Questions – used in some procedures only
Safety Audit
Disclosure and Barring Service (DBS) Checks
Membership of Trade Association or Institute
Welsh Language question

Suppliers were asked to check the appropriate boxes in the template provided above and sign a statement ensuring they would provide evidence of the information requested if they were successful. After the preferred bidder was chosen, it was contacted to provide (within 10) days the necessary supporting documents. These documents were then used to verify and confirm the self-declaration and the bidder's compliance with the information requested at the start of the procedure (see Box 4 above). For example, suppliers were asked to provide evidence they had the necessary insurance levels or the health and safety policy.

In all cases the information was provided correctly and in full. In some tenders, the responses came back the same day or the day after, allowing for extra days to be saved. Risk managers and Health and Safety officers have stated they prefer the self-declaration system, as it allows them to focus their attention on a single bidder, i.e., the one that has won the contract.

Although all winners provided the necessary information and the Council was happy with the answers provided, a safeguard was included asserting the right of the client to move down to the second best bid in case of failure to comply with the requirement. For the future, and as a means to avert any collusion risks, the safeguard clause has been amended allowing either for the cancellation of the tender or the move to consider the second best bid.

# 6.4 Reduced set of questions

A major area identified for improvement in the workshop was the excessive number of questions suppliers were required to address at the tender stage.

Asking questions which do not serve to identify the best bid imposes costs for both suppliers and the contracting authority. On the one hand, suppliers will have to answer those questions, thus increasing their transaction costs. On the other hand, those same answers will have to be marked by the contracting authority, increasing the transaction costs for the authority as well. As such, we strived to reduce the number of questions to those that were strictly necessary to choose the winning bid.

In the first pilot, for a Mid-term and Final Evaluation (Carmarthenshire Physical Regeneration Package), the following questions were dropped:

## Box 5 – Questions removed from the tender stage

Type of organisation, relationships (if consortium)
Names of directors, partners and company secretary
Education and professional qualifications of staff allocated to contract
Sub-Contracting
Policies
Details on technical facilities, research and services
Samples or examples of products
Sustainability policy
Membership of Trade Association or Institute
Environmental management standards



## 6.5 Imposing page limits

Word or page limits in answers are very common in certain sectors as a means of providing guidelines on the level of detail expected for an answer and also as a cap on its total length. They force respondents to be concise and provide only the information they think is key to the answer. For the first pilot undertaken in Carmarthenshire, the following page limits were used:

Box 6 – Page limits (A4) imposed per question

Composition of the consultancy team	1 per individual
Methodology	2
Benchmarking	2
Staff allocated to project	2

## 6.6 Using simple, clear wording

The final major change undertaken in the pilots was the revision of the drafting style used. Where possible, a clear and unambiguous style was used by the whole team. An effort was made to reduce the use of procurement-specific jargon. The reason for this effort was to help smaller suppliers, particularly SMEs that may not have tendering experts writing their bids. Although a supplier should know the technical terms of its sector, it is not necessary to know “procurement speak”.





# 7. Benefits for the contracting authority

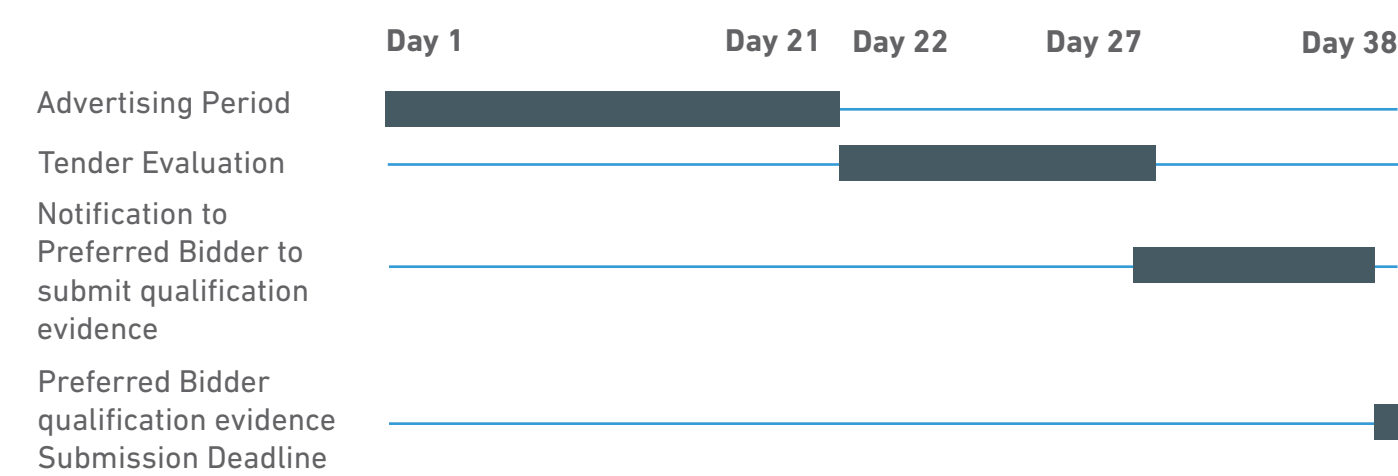
For the contracting authority, benefits from the simplified open procedure can be divided into three key areas:

- reduced timescales;
- reduced person hours;
- increased competition.

## 7.1 Reduced timescales

The UK Government aim for the duration of an open procedure for contracts above the EU thresholds is 120 days from notice to award. This seems a reasonable target for larger, complex contracts, but it is safe to say that it is too long for low value contracts.

In the original pilot, the target was 44 days, and in subsequent revisions of the methodology it was possible to achieve a turnaround of 38 days.



Reducing Award time to less than 40 calendar days is a significant time saving for low value contracts that renders this methodology competitive in terms of timescales, even with the request for quote procedure. There is little further scope for a faster turn around other than reducing the advertising period further, something that is not recommended as that would leave smaller companies at a disadvantage. Providing 3 weeks for the preparation of bids is reasonable, bearing in mind that there is no PQQ to fill in, and the tender document itself is shorter than those traditionally used in tender exercises.

This result was only possible to achieve by introducing all of the aforementioned changes to the open procedure. Skipping some of them will reduce the efficiency of the procedure, and make it impossible to achieve the timescales.

## 7.2 Reduced timescales

The reduction in unnecessary work that was being undertaken by the suppliers and the contracting authority leads to a reduction in the person hours involved for suppliers (in preparing a bid) and for procurers in marking it (in comparison with a standard open procedure).

## Box 7 – Total person hours

	Specialist Officers	Procurement Officer
Initial meetings with lead officer (client)	0	1
Working meetings with lead officer to develop tender documentation	0	4
Tender documentation final revision and approval	1	2
Tender evaluation (assuming the average of 3 tenders)	0	3
Requesting and evaluating self-declaration information from winner (including meeting)	2	1
<b>Total:</b>	<b>3</b>	<b>11</b>

Box 7 above illustrates the amount of hours procurement and specialist officers (ie, risk and health and safety managers) spent in implementing the actual pilots undertaken in Carmarthenshire. This does not include the time for the lead officer/client who will develop the tender specifications, as these are project specific, and should be similar to the time taken with a request for quotes. For example, in the box we have a total of 14 person hours involved in a process if the average of three tenders were submitted. If we added in the time of lead officer (excluding the actual drafting of the technical specifications) then the total person hours committed by the Council would be 23-24.

It is interesting to note that no time was spent in answering clarification questions from tenderers, thus implying that the methodology adopted was clear enough for them to follow. It should also be mentioned that the specialist officers have emphasized that they prefer the simplified open procedure over the traditional open procedure (and even the standard request for quotes) because their input was limited to the analysis of only one set of documents.

In addition, only one day was needed to evaluate the submissions compared to the open procedure, where at least 2 separate days are required (for the selection stage assessment and the tender evaluation). This provides an interesting reduction in the opportunity costs of getting all officers involved together in the same room twice.

## 7.3 Increased competition

The third benefit from using the simplified open procedure is an increase in competition. In all pilots undertaken in Carmarthenshire, the level of competition was deemed to be satisfactory by the participating officers. In some cases, new suppliers even came into the market.

Furthermore, in two of the pilots undertaken, the Council managed to award contracts which it had tried, unsuccessfully, to tender beforehand. In the first pilot, the Council had used a normal open procedure but no suppliers presented bids, citing the amount of work needed to be undertaken for such a low value contract. In the second contract, the Council had issued a request for quotes to three suppliers, but they passed on the opportunity to bid. In both cases, using the simplified open procedure allowed the Council to award the contracts. This may imply that either the extra advertising with the reduced bureaucracy worked as planned, or, that the timing suited the providers that presented bids. In general, the officers were happy with the level of competition, in that irrespective of the number of actual companies submitting bids, they felt that competition was good.

It is worth noting that in all pilots undertaken, only some of the suppliers that looked at the contract opportunity on Sell2Wales decided to present a bid. This indicates the simplified open procedure is achieving two of its aims: increasing transparency of opportunities via increased advertising, while at the same time being specific enough to help suppliers to make a “quick-go” / “no-go” decision. In other words, the changes introduced may be enticing only the companies that were clearly fit for the contracts.

Additionally, in none of the pilots undertaken was there a situation of an excessive number of tenders being submitted. The maximum number of tenders received in the pilots was seven, which was deemed by the officers involved as not being excessive.

## 8. Benefits for suppliers

### 8.1 Contract opportunity advertised at low value

The purpose of the pilot was not only to change the practice in the contracting authority for its own benefit, but also for the market at large.

*“Many third sector organisations are interested in low-value contracts, but some find the procurement processes overly bureaucratic, and others report that they often don’t hear of the lower value opportunities.*

*The new approach to low value contracts taken by Carmarthenshire County Council and the Winning in Tendering team, with an emphasis on proportionality, clarity and self-selection, is extremely welcome. We hope that the simplified open procedure, with clear benefits and efficiencies for both buyers and suppliers, will be taken up elsewhere.”*

Gareth Coles, WCVA





## 8.2 More contract opportunities advertised at lower values

The key benefit of the pilot was to show to both procurers and companies that low value contracts can, and should, be advertised, instead of being awarded through request for quotes. This had been highlighted by the “Barriers to Procurement Opportunity” report (2009) and requested by industry on multiple occasions. Access to low value contract opportunities is essential for the growth of SMEs, particularly for companies that do not have a track record in dealing with a procurement authority.

Providing more contract opportunities advertised at lower price points (proposed in this case to be £5,000 to £50,000) allows any SME to have a chance at bidding for contracts that previously would only have been made known to a limited set of potential bidders. Therefore, it becomes possible for companies without a track record in dealing with the contracting authority to try and win such business. In addition, by advertising low value contracts and ensuring equal treatment for all participants, the practice by some companies of systematically calling procurers asking to be put on supplier lists to be invited for future contracts, is rendered obsolete. All a supplier needs to do is to keep an eye on the contracting opportunities made available on Sell2Wales.

## 8.3 More competition

Closely linked to the previous benefit, the use of the simplified open procedure has led to increased competition in comparison with the request for quotes procedure where only three bidders are invited. In no cases were less than three bids received and, as expected, in others the number of bids was higher, in some cases up to a maximum of seven.

The increased competition can be seen as beneficial for suppliers since it forces them to become more competitive to win bids following an opening up of the market. It follows that the more competitive they are in bidding for contracts in Wales, the better chance they have of winning business outside the territory, e.g. in England, and further afield.

## 8.4 Lower transaction costs and other barriers

The final benefit for suppliers is the creation of a new way of advertising contracts that can lower their transaction costs and make their life easier when dealing with the contracting authority. Lower transaction costs mean that they can invest the same time and effort to bid for a larger number of opportunities.

One of the unexpected benefits of the reduced bureaucracy promoted by the Simplified Open Procedure is that Carmarthenshire County Council is now considering extending the methodology upwards all the way up to £75,000. This will help both micro companies and startups moving up to larger contracts and SMEs already operating in that financial bracket.

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